

# FISCAL NOTE

**Bill #:** SB0074                      **Title:** Use of state land for school building sites  
**Primary Sponsor:** Keenan, B                      **Status:** As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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## Fiscal Summary

	<b><u>FY 2004</u></b> <b><u>Difference</u></b>	<b><u>FY 2005</u></b> <b><u>Difference</u></b>
<b>Expenditures:</b>		
General Fund	\$20,203	\$40,775
State Special Revenue	(\$20,203)	(\$40,775)
<b>Revenue:</b>		
State Special Revenue	(\$20,203)	(\$40,775)
Other – Trust land revenue	(\$601,063)	(\$2,146)
<b>Net Impact on General Fund Balance:</b>	(\$20,203)	(\$40,775)

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| <input checked="" type="checkbox"/> Significant Local Gov. Impact<br><input type="checkbox"/> Included in the Executive Budget<br><input type="checkbox"/> Dedicated Revenue Form Attached | <input checked="" type="checkbox"/> Technical Concerns<br><input checked="" type="checkbox"/> Significant Long-Term Impacts<br><input type="checkbox"/> Needs to be included in HB 2 |
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## Fiscal Analysis

### ASSUMPTIONS:

- SB 74 proposes to reinstate language that existed in state statute prior to 1999.
- Trust lands in or adjacent to urban areas, leased to schools for \$1.00 annual rental, would significantly impact the public school fund by eliminating property available for lease at market value.
- Flathead high school recently selected 60 acres of school trust land valued at \$10,000 per acre, for a total appraised value of \$600,000. The district intends to secure this property through purchase of a permanent easement. SB 74 would stop this sale and instead create a lease for \$1 per year with Flathead high school. This revenue would be lost to the public school fund and would impact other common school beneficiaries through lost interest.
- The trust interest rate is estimated to be 7.089% in FY 2004 and 7.141% in FY 2005 (interest rates from the revenue estimates). Assuming Flathead high school district would have purchased the easement halfway through FY 2004 the amount of interest lost as a result of SB 74 would be \$21,267 in FY 2004 and \$42,922 in FY 2005. 95% of the reduction in interest will reduce the revenue flowing to the state special guarantee fund. Revenue lost to the guarantee fund will be \$20,204 in FY 2004 and \$40,776 in FY 2005. 5% of the interest flows back to the trust. Revenue lost to trust will be \$1,063 in FY 2004 and \$2,146 in FY 2005.

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(continued)

5. The state special guarantee fund is the first source of funding for school district base aid. The amount of base aid required by statute will not change under the provisions of this bill. Reductions in state special revenue will cause an increase in general fund expenditures on schools.

### FISCAL IMPACT:

	<u>FY 2004 Difference</u>	<u>FY 2005 Difference</u>
<u>Expenditures:</u>		
Local Assistance	\$0	\$0
<u>Funding (Office of Public Instruction):</u>		
General Fund (01)	\$20,203	\$40,775
State Special Revenue (02)	<u>(20,203)</u>	<u>(40,775)</u>
TOTAL	\$0	\$0
<u>Revenues (Department of Natural Resources):</u>		
State Special Revenue (02)	(\$20,203)	(\$40,775)
Other Trust Revenue	<u>(601,063)</u>	<u>(2,146)</u>
TOTAL	(\$621,266)	(\$42,921)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	(\$20,203)	(\$40,775)
State Special Revenue (02)	\$0	\$0
Other Trust Land Revenue	(\$601,063)	(\$2,146)

### LONG-RANGE IMPACTS:

Bozeman, Billings and Great Falls are also larger urban areas with trust lands selectable for school purposes. These properties would also appraise at a high dollar value per acre and return more than \$1 per year. If any of these districts chose to lease land under the provisions of this bill, further reductions in interest income would result.

### LOCAL GOVERNMENT IMPACT:

The school districts that develop school trust sites would receive the advantage of the cost of the land at \$1 per year. Those school districts that did not have trust lands available would be disadvantaged due to lost distributable revenue from either the lease of the land or interest generated from revenue from the sale of easements.

### TECHNICAL NOTES:

1. There may be constitutional questions with this bill because it does not require fair market value to be obtained for the lease.
2. When there exists two or more trust beneficiaries, as in the case of most trust lands, §77-2-104, MCA requires the trustee (Land Board) deal with the beneficiaries impartially. If the Land Board were to allow one school district to lease trust land for \$1.00/year, an amount that would be below fair-market value, it would be treating that school district beneficially while treating the remainder of the beneficiaries detrimentally. That is a violation of the Land Board's fiduciary duty pursuant 77-1-103(17), MCA and 72-34-303, MCA.
3. The third Whereas clause refers to Senate Bill 80 from 1999. The correct reference is House Bill 80.